

1 QUESTION/ANSER SESSION I

2
3 CHAIRMAN JAMES: I should tell you that because we
4 started early, our final panelist has yet to arrive. Having said
5 that, what I'd like to do is go ahead and have our Q and A at
6 this point and then we will hear from him upon his arrival. With
7 that, I'd like to open it up to the Commissioners.

8 COMMISSIONER BIBLE: For Miss Schneider. If it's
9 possible to regulate the Internet, why is it impossible to
10 prohibit gaming activity on the Internet?

11 MS. SCHNEIDER: I think again you have to look at
12 separating out the Internet from the gambling product. Actually
13 quite frankly, having taken a peek at Mr. Bell's testimony, I
14 think he will address that more on why it's very, very hard to
15 deal with it from the standpoint of building an electronic wall
16 around the U.S. It makes it very, very hard.

17 As you well know, some of the implications within the
18 prohibition bill that's pending look at having Internet service
19 providers effectively block out sites. Well, there are 156 sites
20 now and that number is growing. To go through that procedure
21 continually with all those sites, with all those states is going
22 to be tough. And there are consumers, quite frankly, who will
23 find a way around that. But that shouldn't stop, on the side of
24 developing good standards, developing really ideally
25 international model codes and some reciprocity.

26 I think the concern quite frankly from your
27 standpoint, if I were in your shoes from Nevada, I would look at
28 standards, say, from some of the island nations or things like
29 that that are out there, opening this industry right now with

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1 open arms and say, you may have concern about the standards. Is
2 there something to be said for maybe helping those kind of people
3 to raise the bar, to get them, so that they really do have solid
4 consumer protection in there? Because really to a certain extent
5 we can't do much about what these other sovereign jurisdictions
6 are doing. We have the same issue with Indian gaming as it
7 relates to Internet gaming within the confines of the U.S. So
8 it's a sticky issue but one that can be worked through.

9 COMMISSIONER BIBLE: And who are the members of the
10 Interactive Gaming Council? What kind of activities are they
11 engaged in and do you have any feel for how much revenue they're
12 generating?

13 MS. SCHNEIDER: We have about 50 members. They're
14 international in scope. They tend to be people who are either
15 operating or supplying system services to Internet gaming, for
16 example, in our case, we're publishers of magazines, so in some
17 cases there are information sites that are out there that just
18 cater to, you know, the gambling consumer that's on the Internet,
19 and again in many cases they've built up some interest in that.

20 In terms of the volume, no, unfortunately there
21 really is very little hard data on that. I know our company is
22 partnering up with Christensen Cummings to try to begin to
23 analyze that and hopefully get some information from people so
24 that you really can take a look at the scope. I can tell you in
25 terms of the number of sites that in January of '97 we began
26 really tracking this very closely and there were about 15 sites.
27 Again, as of this week, it's over 150 and growing.

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1 COMMISSIONER MOORE: Do you know anyone that's ever
2 won and what were they playing and how much did they win and how
3 did they know they won?

4 MS. SCHNEIDER: Yes, I know people who have won and
5 lost.

6 COMMISSIONER MOORE: I can see if you're betting on a
7 horse, you can see the number running on the screen but if he's
8 playing a card game, how does he know who is he playing against
9 and how does he know his cards beat someone and the cards are
10 what they're supposed to be?

11 MS. SCHNEIDER: Unfortunately it's a leap of faith
12 for many of these consumers. They don't really know what the
13 odds are. But quite frankly, I have three riverboats within a
14 mile of my office, I don't really know what the odds are there
15 either until the end of the month.

16 COMMISSIONER MOORE: Playing blackjack or video
17 poker, if you get a pair of queens, you get your nickel back.
18 But who are you playing against?

19 MS. SCHNEIDER: You're playing against the computer
20 unless they have a multi-player game and there aren't very many.
21 Quite frankly, a lot of the Internet gaming that's out there
22 today is fairly primitive. You're beginning to see a situation
23 where they will now have multi players, where you're actually
24 playing against somebody in France and somebody in Australia and
25 you're actually at that table with them and playing against them.

26 COMMISSIONER MOORE: That would be a Thursday night
27 poker game.

28 MS. SCHNEIDER: Exactly. Little longer distance. No
29 smoke, though.

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1 COMMISSIONER MOORE: Right.

2 COMMISSIONER WILHELM: Maybe for the two Attorneys
3 General, how would you police the Internet? If there are
4 prohibitions at the federal level, how would you see policing it?

5 MR. YOUNGS: Under the Kyl bill our jurisdiction
6 would be limited to civil actions, under the Kyl bill. We'd be
7 given pendent civil jurisdiction to do that. In terms of
8 policing the Internet, I guess I disagree with Sue to a certain
9 extent. I don't think what we're talking about is erecting a
10 technological wall around the United States. It's very easy for
11 an Internet provider to keep his or her website and gambling
12 activities that he conducts over that website away from consumers
13 in a particular state. It's difficult, and as I understand
14 probably from talking to Mr. Kesner and others, it's difficult to
15 keep that website from being accessed and viewed by people in a
16 particular area but at least the vast majority of the websites
17 I've seen that deal with Internet gaming, which allow you to open
18 an account to gamble over their website, do so online. You can
19 fill out an online application and it is quite possible, as we
20 saw in one instance in which we were investigating and in
21 litigation with a company, the state field of that online
22 application form can be tagged from the server's standpoint so
23 that it will not receive applications from a particular
24 jurisdiction like Missouri.

25 If that happens and if a Missourian types in
26 Missouri, that website operator can send back a message that
27 happens almost instantaneously that says I'm sorry, you can't
28 gamble over this website from your jurisdiction. So in terms of
29 policing the Internet, I don't know if that's necessarily what

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1 we're talking about. In terms of law enforcement, in terms of
2 seeing whether or not website operators are complying with the
3 laws, we'll do that the same way we do that in various other law
4 enforcement activities. We'll conduct stings. We'll conduct
5 decoy purchases. We'll open up decoy accounts. That's how law
6 enforcement works and the technological wonder of the Internet
7 does not change that approach at all.

8 MR. KESNER: In terms of pure and pertinent questions
9 regarding how to work on the Internet, we have at this time
10 already engaged undercover investigators to take various
11 activities; undercover playing with undercover numbers to see
12 what is going on and how they can be involved. Nobody is going
13 to claim that any prohibition specifically outlined in federal
14 law is going to be 100 percent effective. What it is going to do
15 is it's going to express a public policy that this is illegal and
16 that it will discourage the vast majority of people from
17 participating and discourage people from bringing that activity
18 out into the open in the United States.

19 When you're policing the Internet, if you use that
20 term, the difference between various types of businesses is
21 important and gambling in particular would be one that would be
22 particularly amenable to policing because of the fact that if
23 you're, for instance, selling child pornography over the
24 Internet, and there's a lot of commerce in child pornography over
25 the Internet, these are the type of people that want to stay
26 behind the scenes, hide, not be there, not be out in the open and
27 so they use tricks and techniques of the Internet to go behind
28 the scenes, be anonymous and get away from the general flow of
29 commerce.

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1 Gambling on the other hand has the necessity to want
2 to prove that they're regulated, open and above board in
3 advertising and gain that type of credibility. In doing that,
4 they're also going to expose themselves to being acknowledged or
5 at least noticed by the law enforcement officials who want to
6 take action in a particular instance.

7 COMMISSIONER BIBLE: Have either states modified
8 their statutes in order to make prosecution simpler?

9 MR. KESNER: In Wisconsin we have actually determined
10 that for the interest that Wisconsin would ever need to express
11 in terms of the Internet, our statutes have already been designed
12 broadly enough to cover this kind of activity, as opposed to the
13 federal law which has some perhaps limitations on what would be
14 covered at the federal level. We've determined that the act of
15 gambling and also the act of offering gambling as a business are
16 both illegal in Wisconsin in a general scope and therefore, are
17 already illegal on the Internet and we've in fact taken
18 enforcement actions against three different companies to test
19 that and have settled in at least one case so far.

20 MR. YOUNGS: Missouri's experience is similar. We
21 believe our criminal prohibition against gambling already
22 encompasses or at least is broadly worded enough, although it
23 wasn't initially written when Internet gambling was a
24 possibility, the definitions of the various terms at issue in our
25 statute, advancing gambling activity, gambling, gambling device,
26 we believe also encompass the Internet as well and we're also
27 engaged in a criminal prosecution under that very statute.

28 COMMISSIONER BIBLE: So you're prosecuting for
29 exposing a game for play in Missouri without a license?

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1 MR. YOUNGS: Actually it's not without a license.
2 Again, under our scheme gambling is illegal unless it's
3 authorized, and basically in Missouri the only way that you can
4 legally gamble or offer gambling is on an excursion riverboat, a
5 charitable gaming specifically authorized by a separate statute,
6 participating in the state lottery that's specifically authorized
7 by a separate statute. So ours is if it's not covered and not
8 being conducted in one of those fashions, it's illegal and falls
9 under criminal prohibition.

10 COMMISSIONER MC CARTHY: Miss Schneider, among your
11 50 members, are any of them casino operators?

12 MS. SCHNEIDER: Yes. You mean existing? There are
13 several that have also land based facilities. Is that what you
14 mean?

15 COMMISSIONER MC CARTHY: What kind of facilities?

16 MS. SCHNEIDER: Land based casinos.

17 COMMISSIONER MC CARTHY: Overseas?

18 MS. SCHNEIDER: Yes.

19 COMMISSIONER MC CARTHY: You said there are 150 sites
20 operating. Does that mean there are 150 different companies
21 running those 150 sites?

22 MS. SCHNEIDER: No. There probably are about 110.
23 There are some that have multiple front ends. I don't know how
24 to explain it. But the view on the screen and things like that
25 might be different but they lead into the same casino.

26 COMMISSIONER MC CARTHY: Your personal involvement is
27 you're a publisher of a communication that just informs people
28 about developments in the Internet gambling industry?

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1 MS. SCHNEIDER: It's not just about Internet
2 gambling. Ours is a general consumer gambling magazine.

3 COMMISSIONER MC CARTHY: Okay. Is there any
4 organization in the industry that unites all of the overseas
5 casino operators or lottery operators or whatever there are?

6 MS. SCHNEIDER: The people that are doing the
7 Internet gambling? That is really the intent of the --

8 COMMISSIONER MC CARTHY: I don't mean gamblers. I mean
9 those who run the establishments.

10 MS. SCHNEIDER: The Interactive Gaming Council is an
11 industry association. It is operators and suppliers for the most
12 part.

13 COMMISSIONER MC CARTHY: Have they tried to address
14 through some code of ethical conduct all of the issues that have
15 been raised by these two Assistant Attorneys General and by
16 others as well, how you prevent a number of the problems, what
17 kind of insurance coverage, how would you avoid minors gambling
18 over Internet, the list of things that have been raised here and
19 in the Congressional hearings?

20 MS. SCHNEIDER: The intent of that group was -- it's
21 a relatively new organization that's just really getting on its
22 feet. It's been around for about a year and a half, but we're
23 just getting staffed. There has been a code of conduct and there
24 have been responsible gaming guidelines which I'd be happy to
25 share with you. We thought about adding that to the testimony.

26 COMMISSIONER MC CARTHY: Have they sponsored legal
27 changes in the countries in which they have their sites,
28 involving insurance, involving all the other issues?

29 MS. SCHNEIDER: In some cases they have.

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1 COMMISSIONER MC CARTHY: Is there a list of such
2 activities that have happened that you have?

3 MS. SCHNEIDER: For example, the countries that are
4 licensing?

5 COMMISSIONER MC CARTHY: What we're getting in the
6 mail here from the folks that want to run Internet gambling
7 establishments is that we ought to be regulated, shouldn't be
8 prohibited. We ought to be regulated. And if they've been
9 functioning for a year, a year and a half, whatever, I'm just
10 interested in knowing what tangible steps they have taken as
11 evidence of their good faith that they are responding to a litany
12 of rather serious problems that have been raised here and
13 elsewhere.

14 MS. SCHNEIDER: Yes, there have been a couple of
15 documents put together and the intent is to, for example, to have
16 the dispute resolution, a seal of compliance, code of conduct,
17 some of the good housekeeping seal of approval.

18 COMMISSIONER MC CARTHY: I'm asking if anyone has
19 specific information telling us what those actions were that were
20 undertaken.

21 MS. SCHNEIDER: The code of conduct and responsible
22 gaming guidelines are available. I will get those to you.

23 COMMISSIONER MC CARTHY: Fine. Laws that they've
24 sponsored or asked national legislatures to enact in Australia or
25 Antigua or wherever, is there a compilation of all those things?

26 MS. SCHNEIDER: Yes. Actually that's what our
27 industry publication called Interactive News has, gaming news.

28 COMMISSIONER MC CARTHY: Would you share with the
29 Commission, please?

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1 MS. SCHNEIDER: Sure.

2 COMMISSIONER MC CARTHY: Because what you share or
3 what the International Gaming -- what was the group?

4 MS. SCHNEIDER: Interactive Gaming Council.

5 COMMISSIONER MC CARTHY: What they share will tell us
6 what action they've really taken so we can measure their
7 sincerity in addressing these problems.

8 To the Assistant Attorneys General, I know you both
9 are versed in this, so you've been following the hearings on the
10 Kyl legislation. The Kyl legislation appears to be the center of
11 activity to try to prohibit Internet gambling. You've both been
12 following that pretty closely?

13 MR. KESNER: Yes, very closely.

14 MR. YOUNGS: Mr. Kesner more than me.

15 COMMISSIONER MC CARTHY: Has the National Attorneys
16 General Association been following that as well?

17 MR. KESNER: Yes. I've actually been involved with
18 Senator Kyl's office on nearly a daily basis.

19 COMMISSIONER MC CARTHY: Have you published anything
20 that responds to all the objections that have been raised by
21 those who wish to participate in Internet gambling?

22 MR. KESNER: Are you referring specifically in
23 reference to the Kyl bill or in general?

24 COMMISSIONER MC CARTHY: Both.

25 MR. KESNER: The National Association of Attorneys
26 General, our subcommittee has prepared two reports, one in the
27 summer of 1996 and one in the summer of 1997. And likely we'll
28 prepare another one for the summer meeting of Attorneys General
29 this year on Internet gambling in general and some of the issues.

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1 Our first one was actually a report which addressed some of the
2 initial problems and suggested legislation very similar to what
3 Senator Kyl has proposed at this point.

4 We've also been working quite closely preparing a
5 discussion and documentation on the Kyl bill itself. As that
6 comes to the floor of the Senate, there will be a lot of debate
7 on the floor. There's going to be a lot of political maneuvering
8 on the floor.

9 COMMISSIONER MC CARTHY: Would you mind sharing with
10 us -- I take it you haven't done so yet.

11 MR. KESNER: I know we have shared the reports. I
12 believe the reports are available at Commission staff.

13 COMMISSIONER MC CARTHY: Are these reports within the
14 context of the hearings? I want to make sure that the specific
15 objections raised by various people in the industry or people not
16 in the industry, Mr. Bell from the Cato Institute. I don't know
17 if you've seen a copy of the testimony he's going to give here
18 when he arrives.

19 MR. KESNER: I have swapped some E-mails with him on
20 the topic.

21 COMMISSIONER MC CARTHY: Then you probably know all
22 of his positions. He's for leave it happen, the government
23 really doesn't have a role in trying to prohibit this. But we'd
24 be interested, because this Commission is going to take a look at
25 possibly commissioning some research but certainly pursuing this
26 issue. Would you share with us updated specific answers to the
27 objections being raised, how you handle them?

28 MR. KESNER: I will attempt to do that. I will
29 accumulate whatever documents we have. We don't have a specific

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1 one prepared, but as they become available and the new report
2 comes out in June or July, I will get that to the Commission as
3 well.

4 COMMISSIONER MC CARTHY: Thank you.

5 CHAIRMAN JAMES: I'm not sure that you will know the
6 answer to this but if not, you can help the Commission figure out
7 where to go and get it. If I were the parent of a young child,
8 and I think we've already established that it would be fairly
9 easy for that child who is probably far more computer literate
10 than his mother, to get on the Internet. What kind of software
11 or what kinds of precautions exist out there that I as a parent
12 can access right now? Do any of you have any such information or
13 how would a parent go about doing that?

14 MR. KESNER: Probably one of the most popular ways to
15 talk about control of Internet content that's been discussed a
16 lot in the past is the use of software at the home computer or
17 the terminal that the child might be using. There are a number
18 of software packages that have been made available over the past
19 two years, commercially developed and not very expensive. In
20 fact, most online service providers now are providing one form or
21 another of that for free to their customers so that they can do
22 that themselves, at least the major providers.

23 Nobody has ever argued that any of these programs are
24 100 percent effective on any topic really. The other issue is
25 that most of them are actually targeted towards pornography and
26 some of the more traditional vices that children tend to go
27 towards, tend to gravitate towards. For instance, one of the
28 software programs defines ten or 12 different things that it
29 would make attempts to filter out. It will say a list of things

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1 and then number 11 or 12 is other things including gambling, the
2 way it's been listed on the advertising that I've seen for the
3 programs in the past. So they haven't made gambling a particular
4 priority that I've seen in their filtering technology but they
5 are starting to develop these kind of things that use various
6 techniques.

7 MS. SCHNEIDER: If I could just respond to that, too.
8 I do want to just echo that there is software, filtering software
9 out there. As a matter of fact, we just developed a partnership
10 with one of the filtering companies to begin with, to make sure
11 that gambling is included in there.

12 But I do want to add that just from a straight
13 business standpoint, from the point of view of these operators,
14 it's to their advantage to make sure that they have as many
15 safeguards and as many hoops to jump through to verify that
16 that's not a child in there, just from a straight business
17 standpoint. Given the laws with credit cards, there's a variety
18 of options that people might use to open up an account. It could
19 be wire transfer, check, money order, credit card. To do that,
20 if for example, I have a 16 and 17-year-old, if I find that a
21 transaction shows up on a particular credit card bill, first of
22 all, that probably would happen once but secondly, you have the
23 ability for an unauthorized charge by a minor, to have a charge-
24 back on that. That comes back out from the merchants, the
25 operators in this account. So just from the standpoint of them
26 not having a lot of charge-backs and losing money in that regard,
27 those are the kind of issues that are in there.

28 CHAIRMAN JAMES: If it were a charge-back, how do I
29 find you to charge it back?

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1 MS. SCHNEIDER: You go back through your credit card
2 company and dispute the charge.

3 MR. YOUNGS: May I speak to that issue also? All of
4 these efforts that we talk about and Miss Schneider and I have
5 discussed these a little bit as well, even today, all of these,
6 if you look at this issue as a consumer protection issue which is
7 how Attorney General Nixon looks at it, then any -- and
8 acknowledging to a certain extent and probably to a large extent
9 that we as parents need to be responsible for our children and
10 taking that acknowledgement -- all of the things that I've heard
11 talked about, net nanny, cyber nanny, all of the filtering
12 software, all of the efforts that you can take as a parent to
13 effectuate a charge-back on your credit card if your child has
14 opened up a gambling site using your charge card, the biometric
15 scanning devices that at some point the market may force us all
16 to buy because we won't be able to do anything on the Internet
17 without them but it will at least initially cause you as a
18 consumer to have to buy something to effectuate the ability of
19 your computer to read your retina or your thumb print. All of
20 these things, if these steps are being proposed as ways to make
21 Internet gambling safer, the point needs to be made that all of
22 these steps are being imposed on consumers, steps that consumers
23 have to take to protect themselves. That I think is the
24 fundamental question and the difficulty that at least Attorney
25 General Nixon has with this entire discussion is that in terms of
26 promoting and talking about ways to make the industry safer, so
27 far all we've heard are ways that consumers can protect
28 themselves. I respectfully submit that that's not the way this
29 Commission should be looking at this issue.

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1 CHAIRMAN JAMES: Thank you.

2 COMMISSIONER BIBLE: For each panelist, from a policy
3 standpoint, what are the implications of Internet wagering for
4 the work of this Commission?

5 MR. KESNER: The Internet has changed the face of
6 gambling and wagering activity. I think, as has been stated
7 before, gambling in the United States at least and worldwide, has
8 always been regulated at primarily the local level and in the
9 United States at the state level. The Internet has made it very
10 efficient to cross borders with the gambling activity and other
11 commercial activities as well.

12 Each individual state, and you've obviously seen this
13 as you've gone through your study and you'll see this again, has
14 a different way of regulating gambling. The state of New Jersey
15 and the Atlantic City casinos are regulated a lot differently
16 than the state of Nevada's casinos and they're regulated a lot
17 differently from the tribal casinos in Wisconsin and the
18 riverboats in Missouri. There are so many balancing tests being
19 done among the various factors that the individual states look at
20 in deciding what their own public policy is going to be.

21 The Internet makes it very difficult for an
22 individual state to enforce its own carefully crafted public
23 policy and its own weighing of those interests in order to meet
24 what it thinks is necessary or appropriate for the citizens of
25 that state. The Internet has taken it and thrown that wide open.
26 I believe, as Allison Flatt stated earlier, it's very significant
27 that two years ago the State Attorneys General requested federal
28 legislation to address this issue and prohibit it. As you're
29 probably well aware, State Attorneys General don't like to ask

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1 the federal government for much and they like to be very
2 independent for the most part. So that in and of itself is a
3 very significant step and seems to state the importance of this
4 issue at the state policy level.

5 MR. YOUNGS: I agree with Mr. Kesner. Internet
6 gaming changes the entire issue. If this Commission's burden and
7 responsibility over the next year or so or however long it has
8 left looking at this issue is to examine the societal and the
9 economic impacts, just from what I've read I think somebody
10 indicated, maybe it was Allison, that not too many of these
11 website operators are too intent upon giving too much in the way
12 of financial information. Some of them are publicly traded as
13 penny stocks, so they obviously are required to submit financial
14 statements to the SEC. Looking at those, this is a growing
15 industry and it's growing by leaps and bounds. I don't know what
16 the exact number is going to be but I think that it does
17 significantly, in addition to taking a look at the issue from the
18 standpoint of the states, actually being in a sort of novel
19 position of requesting intervention from the federal government
20 in the way of legislation prohibiting this, I think that it also
21 globalizes the issues that this Commission is charged with
22 examining because the Internet is here to stay and it is
23 pervasive and it is widespread.

24 So to the extent that this gaming industry is a
25 growing industry, and it clearly is, the societal and economic
26 impact of that I think magnifies this Commission's obligation,
27 whereas you were originally just looking at land based casinos
28 and other types of gaming, the Internet aspect I think expands
29 your scope significantly.

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1 COMMISSIONER MC CARTHY: Let me ask both of you
2 fellows, we've only been talking about Internet gambling as it
3 affects overseas operations. Do your bosses or Attorneys General
4 in the United States have a position about Internet gambling that
5 doesn't involve foreign sites but involves -- suppose someone
6 from another state wants to buy into the lotteries? Both of
7 your states have lotteries, don't they?

8 MR. YOUNGS: Yes.

9 MR. KESNER: Yes.

10 COMMISSIONER MC CARTHY: Suppose someone from another
11 state, someone from my state California, wants to use the
12 Internet to buy in or use the Internet to gamble in one of the
13 Indian gambling sites in your state or the riverboat sites, do
14 you have any objection to that?

15 MR. KESNER: You've actually asked what some of us
16 might call a loaded question.

17 COMMISSIONER MC CARTHY: A loaded question?

18 MR. KESNER: Not negatively, but it's a question --
19 maybe a softball is more the issue. We've actually taken action
20 in Wisconsin against three different companies. We've taken
21 civil action at this point against three different companies. We
22 did in the past against an interstate lottery retailer. There is
23 a federal statute now prohibiting the sale of interstate lottery
24 tickets in interstate commerce. We've actually also taken action
25 and we have a pending civil lawsuit, an enforcement lawsuit under
26 our public nuisance action, against an Indian tribe in Idaho
27 which is offering a gambling site on the Internet. Missouri has
28 also filed a suit against the same tribe. That one is currently

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1 being discussed being appealed to the 7th Circuit here in Chicago
2 on a sovereign immunity issue.

3 COMMISSIONER MC CARTHY: Is that the Coeur d'Alene
4 case?

5 MR. KESNER: Yes. We have filed that but we did get
6 at least an initial ruling from our District Court Judge that we
7 would have long arm jurisdiction, even though they hadn't
8 physically set foot in the state of Wisconsin for the purpose of
9 this operation, we do have enough of an interest at least to get
10 over the initial hurdles on jurisdiction. So we have gotten that
11 initial ruling. So we filed a suit there.

12 In fact, another of our lawsuits involved in the
13 Internet gambling industry was against a company which proposed
14 to open an Internet site based in Wisconsin, based in Oak Creek,
15 Wisconsin. They came to the Governor and then subsequently to
16 our office, the Attorney General's office and asked whether they
17 could set up their servers in Oak Creek, Wisconsin in a building
18 that they own. We said no, you can't. We think it would be
19 against the law. Then they filed a declaratory judgment and we
20 filed back against them. We just settled that.

21 They've agreed not to open and we did enter a consent
22 decree and a final judgment in our favor. We won that case.
23 They agreed not to open their site in Wisconsin. In fact,
24 they're opening it based out of South Africa now.

25 CHAIRMAN JAMES: Any other questions?

26 COMMISSIONER LANNI: I have one for Miss Schneider.
27 Of your, I think you mentioned 50 members or so, would you know
28 or would it be available of how many of those entities are
29 responsible for paying taxes here in the United States?

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1 MS. SCHNEIDER: There are a number that are --as Dale
2 mentioned, there are some that are publicly traded that are in
3 the U.S., although their operations for gaming are outside of the
4 U.S. There are also some software supply companies that are
5 operating with offices in the U.S., software suppliers to
6 Internet gaming.

7 The other ones, for example, Inner Lotto, in
8 Liechtenstein, Inner Keno which is in Gibraltar. There are a
9 number of other companies that are all totally based outside of
10 the U.S.

11 COMMISSIONER LANNI: Of the operators, how many are
12 based in the United States of your membership?

13 MS. SCHNEIDER: The only ones would be those that
14 would be on Indian lands.

15 There are no other -- that I'm aware of, there are no
16 other Internet gaming operations within the confines of the U.S.
17 other than on Indian land.

18 COMMISSIONER LANNI: Any pari-mutuel members?

19 MS. SCHNEIDER: No, not at this point.

20 CHAIRMAN JAMES: Any other questions? I'd like to
21 thank our three panelists that have presented so far. My
22 suggestion is going to be that we go ahead and take our break
23 right now. Hopefully by that time Mr. Bell will have arrived,
24 since this panel was supposed to start about in about five
25 minutes anyway. I understand that there's been a request that we
26 repeat the video during the break time and we will do that for
27 the benefit of whoever it is that would like to review that
28 again.

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1 Again, thank you and we hope that you will continue
2 to follow the work of the Commission and that you would continue
3 to give us the benefit of your wisdom and your advice and your
4 counsel. Thank you.

5 We will recess.

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